

# The Treasury

## Budget 2011 Information Release

### Release Document

June 2011

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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- [10] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

**Vote Housing**

# Four-year Budget Plan

Version 1

1 December 2010

Submitted by:

**The Department of Building and Housing**

This Plan has been prepared by the Department to reflect the Minister of Housing's priorities for the next four years

## Section 1: Strategies to fund new Vote Housing initiatives

### ***Scenario 1: New housing priorities are funded by the Crown in addition to baseline savings and re-prioritisations (preferred option)***

This option proposes that the Government consider the housing objectives outlined in this plan as a high priority, relative to those in other Votes, and commit to funding the additional capital and operating expenditure required to deliver them.

All Vote savings and re-prioritisations have been identified and included in this proposal.

[2] in new priorities and initiatives are proposed to deliver these objectives.

[2] in total savings and funding reprioritisations have been identified within the current Vote baseline to offset this expenditure (in part) over the four years of this plan.

[2] in new funding is required to be appropriated from the Crown as an addition to the Vote Housing baseline over the four years to 2014/15 to deliver this plan as proposed.

This scenario should deliver substantive development of social housing providers in 3 – 5 years and significantly increase the social housing supply in 5 – 10 years.

Budget Ministers should note that revenue is generated within Vote Housing and by Housing New Zealand Corporation (returned as surplus distribution) that reduces the Crown's borrowing requirement to fund these priorities and other high priority, non-housing initiatives. It is requested that Budget Ministers consider re-investing part of the Vote revenue and HNZA's annual surplus distribution, for each year, into these Vote initiatives to fund this refocussing of resources toward broader provision of social housing.

### ***Overall Impact***

Operating	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current Baseline	1,441,279	771,894	837,068	898,927	910,147
Cost of new/increased activities	[2]				
Amount reprioritised					
New baseline					

Capital	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Capital proposals seeking new funding in Budget 2011.	0	0	8,900	0	0
Capital proposals seeking decisions in Budget 2011 funded within baselines.	201,977	185,226	168,084	168,084	168,084
Total capital intentions	201,977	185,226	176,984	168,084	168,084

The following funding diagram, Scenario 1, illustrates this proposal in detail.

# Vote Housing Four Year Budget Plan - Budget 2011 (\$million)

Scenario 1: New housing priorities are funded by the Crown in addition to baseline savings and re-prioritisations (preferred option)

## Savings and Priorities within Vote Housing

	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Revenue</b>					
<b>Baseline savings, HNZC transfers and capital receipts</b>					
Mortgage Insurance Scheme (WHL) - 08/10 Carry fwd	\$2.612	-	-	-	-
Mortgage Insurance Scheme (WHL) - 10/11 Savings	\$0.430	-	-	-	-
Energy Efficient Warm Homes	-	\$3.000	\$1.500	\$1.500	\$1.500
<b>Total Baseline Savings</b>	<b>\$3.042</b>	<b>\$3.000</b>	<b>\$1.500</b>	<b>\$1.500</b>	<b>\$1.500</b>
<b>Potential Revenue</b>					
<b>Programmes identified for active baseline re-prioritisation</b>					
[2] Home Ownership Education Programme (\$2.4m p.a)	-	-	\$2.400	\$2.400	\$2.400
Kiwisaver Deposit Subsidy (\$ varies)	-	-	-	-	-
<b>Total Baseline programmes re-prioritised</b>	<b>\$0.000</b>	<b>\$5.100</b>	<b>\$7.500</b>	<b>\$7.500</b>	<b>\$7.500</b>
<b>Expenditure</b>					
<b>New Housing Priorities</b>					
<i>Social Housing Partnership Programme</i>					
[2]	[2]				
	\$0.000	\$45.945	[2]		
<i>Tamaki Transformation Programme</i>					
<i>Interim Board establishment and management</i>					
	\$1.000	\$0.600	-	-	-
<i>Transformation programme delivery</i>					
	\$1.000	\$0.600	\$0.000	\$0.000	\$0.000
[6]					
<i>Crown Programmes</i>					
<i>Legacy Products - administration</i>					
	\$0.700	\$0.700	\$0.700	\$0.700	\$0.700
<i>WCC Housing Assistance Grant Monitoring</i>					
	\$0.150	\$0.150	\$0.150	\$0.150	\$0.150
<i>KiwiBank interest subsidy</i>					
	\$0.400	\$0.400	\$0.400	\$0.400	\$0.400
<i>Housing Innovation Fund Administration</i>					
	\$0.400	-	-	-	-
<i>Community Group Housing</i>					
	\$7.600	\$7.600	\$7.600	\$7.600	\$7.600
	<b>\$9.250</b>	<b>\$8.850</b>	<b>\$8.850</b>	<b>\$8.850</b>	<b>\$8.850</b>
<b>Total New Priorities</b>	<b>\$10.250</b>	<b>\$55.395</b>	<b>[2]</b>		
<b>Net Position (Vote Housing funding only)</b>	<b>-\$7.208</b>	<b>-\$47.295</b>	<b>-\$54.695</b>	<b>-\$45.795</b>	<b>-\$45.795</b>

## HNZC surplus available for distribution

	2010/11	2011/12	2012/13	2013/14	2014/15	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Revenue generated by Vote Housing and HNZC</b>										
<b>HNZC Surplus + Value for Money Savings</b>										
[2] HNZC Surplus Cash	\$21.000	-	-	-	-					
HNZC Tamaki Transformation Programme transfer	\$1.600	-	-	\$7.895	\$7.895					
HNZC surplus increase from Crown programmes full funding	-	\$7.895	\$7.895	\$7.895	\$7.895					
[2]				[6]						
<b>Total Surplus</b>	<b>\$72.600</b>	<b>\$69.895</b>	<b>\$64.895</b>	<b>\$91.495</b>	<b>\$222.695</b>					
<b>Potential additional funding available for Vote Housing Initiatives (67.5% of surplus distribution)</b>										
		\$49.005	\$47.179	\$43.804	\$61.759					
<b>Government priorities in Vote Housing</b>										
<b>Government priorities in other votes</b>										
<b>Distribution to Crown to fund Deficit</b>										
	32.5%	32.5%	32.5%	32.5%	32.5%					
	\$23.595	\$22.716	\$21.091	\$29.736	\$72.376					
<b>Total</b>										<b>\$169.514</b>
<b>Net Position (utilising Vote Revenue/HNZC surplus)</b>										
	-\$7.208	\$1.710	-\$7.516	-\$1.991	\$15.964					
<b>Four Year Plan Total</b>										
										<b>\$0.959</b>

### Notes

1. It is assumed that, should HNZC's policy advice function move to DBH, only the existing appropriated NDOE Housing Policy Advice funding will transfer to DOE Sector and Regulatory Policy.
2. There are likely to be ongoing costs for a management TTP Board for the programme beyond 2012/13.
3. Costs for the developments are unclear and will depend on the form of the delivery entity, the pace of change envisaged by the TTP Board and the form of Crown support to facilitate the change e.g stock transfers etc.

[6]

[2]

7. Net position resulting from HIF legacy administration costs (\$1.7 million) less operating surplus being generated from the remaining legacy products (\$1.0 million).

8. Ministers can decide that these programmes continue to be delivered by HNZC and funded by internal resources, i.e. retain the status quo.

9. This function transfers to the DBH from HNZC

10. The transactional model for HIF delivery is estimated to cost \$0.55m, the Minister of Housing (Nov 2010) agreed that \$0.950 was the appropriate level of service to deliver HIF for niche providers. Additional funding may be required for a larger third sector programme.

[2]

## **Scenario 2: New housing priorities are funded from within Vote Housing only**

This option recognises the current fiscal environment and constraints that the Government has in funding new initiatives across all Votes. All new initiatives have been reduced in scale and scope to ensure that Vote Housing can manage this expenditure within its existing baseline funding.

All Vote savings and re-prioritisations have been identified and included in this proposal.

\$39.742 million in new priorities and initiatives are proposed to deliver these objectives.

\$39.742 million in total savings and funding reprioritisations have been identified within the current Vote baseline to offset this expenditure over the four years of the plan.

**No additional Crown funding is required to deliver this option as it balances to zero within the existing baseline.<sup>1</sup>**

This scenario should deliver substantive development of social housing providers in 20 – 25 years with significant social housing supply increasing after this. Without further reducing existing programmes or additional Crown funding input, this option will result in the Government's objectives for housing being realised at a later stage than is envisaged or desirable.

### **Overall Impact**

<b>Operating</b>	<b>Impact (\$000s)</b>				
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Current Baseline	1,441,279	771,894	837,068	898,927	910,147
[2]					

<b>Capital</b>	<b>Impact (\$000s)</b>				
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Capital proposals seeking new funding in Budget 2011.	0	0	[2]	0	0
Capital proposals seeking decisions in Budget 2011 funded within baselines.	201,977	185,226	168,084	168,084	168,084
Total capital intentions	201,977	185,226	[2]	168,084	168,084

The following funding diagram, Scenario 2, illustrates this proposal in detail.

<sup>1</sup> This is on the basis that Budget Ministers agree to appropriate \$1.600 million in new funding to establish the Interim Tamaki Transformation Programme utilising the savings identified in Housing New Zealand Corporation's internal budget for the Tamaki Transformation Programme and returned to the Crown.

# Vote Housing Four Year Budget Plan - Budget 2011 (\$million)

Scenario 2: New housing priorities are funded from within Vote Housing only

## Savings and Priorities within Vote Housing

	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Revenue</b>					
<b>Baseline savings, HNZN transfers and capital receipts</b>					
Mortgage Insurance Scheme (WHL) - 09/10 Carry fwd	\$2.612	-	-	-	-
Mortgage Insurance Scheme (WHL) - 10/11 Savings	\$0.430	-	-	-	-
Energy Efficient Warm Homes	-	\$3.000	\$1.500	\$1.500	\$1.500
<b>Total Baseline Savings</b>	<b>\$3.042</b>	<b>\$3.000</b>	<b>\$1.500</b>	<b>\$1.500</b>	<b>\$1.500</b>
<b>Potential Revenue</b>					
<b>Programmes identified for active baseline re-prioritisation</b>					
[2] Home Ownership Education Programme (\$2.4m p.a)	-	-	\$2.400	\$2.400	\$2.400
Kiwisaver Deposit Subsidy (\$ varies)	-	-	-	-	-
<b>Total Baseline programmes re-prioritised</b>	<b>\$0.000</b>	<b>[2]</b>			
<b>Expenditure</b>					
<b>New Housing Priorities</b>					
<i>Social Housing Partnership Programme</i>					
[2]	[2]				
	\$0.000	\$5.650	\$5.650	\$5.650	\$5.650
<i>Tamaki Transformation Programme</i>					
Interim Board establishment and management	\$1.000	\$0.600	-	-	-
Transformation programme delivery	\$1.000	\$0.600	\$0.000	\$0.000	\$0.000
[6] <i>Crown Programmes</i>					
Legacy Products - administration	\$0.700	\$0.700	\$0.700	\$0.700	\$0.700
WCC Housing Assistance Grant Monitoring	\$0.150	\$0.148	\$0.148	\$0.148	\$0.148
Kiwibank interest subsidy	\$0.400	\$0.400	\$0.400	\$0.400	\$0.400
Housing Innovation Fund Administration	\$0.400	-	-	-	-
Community Group Housing	-	-	-	-	-
<b>Total New Priorities</b>	<b>\$2.650</b>	<b>\$7.498</b>	<b>[2]</b>	<b>\$6.898</b>	<b>\$6.898</b>
[2]					

## HNZN surplus available for distribution

	2010/11	2011/12	2012/13	2013/14	2014/15	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Revenue generated by Vote Housing and HNZN</b>										
[2] HNZN Surplus Cash	\$21.000	-	-	-	-					
HNZN Tamaki Transformation Programme transfer	\$1.600	-	-	-	-					
HNZN surplus increase from Crown programmes full funding	-	\$2.423	\$2.423	\$2.423	\$2.423					
[6] <b>Total Surplus</b>	<b>\$72.600</b>	<b>\$64.423</b>	<b>\$59.423</b>	<b>\$86.023</b>	<b>\$217.223</b>					
<b>Potential additional funding available for Vote Housing Initiatives (0% of surplus distribution)</b>										
	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000					
<b>Government priorities in Vote Housing</b>										
<b>Government priorities in other votes</b>										
<b>Net Position (utilising Vote Revenue/HNZN surplus)</b>										
	\$0.392	\$0.602	-\$6.798	\$2.102	\$2.102					
<b>Four Year Plan Total</b>										-\$1.600

### Notes

- It is assumed that, should HNZN's policy advice function move to DBH, only the existing appropriated NDOE Housing Policy Advice funding will transfer to DOE Sector and Regulatory Policy.
- There are likely to be ongoing costs for a management TTP Board for the programme beyond 2012/13.
- Costs for the developments are unclear and will depend on the form of the delivery entity, the pace of change envisaged by the TTP Board and the form of Crown support to facilitate the change e.g stock transfers etc.
- This funding will be offset in later years by capital receipts for sale of the development - Refer Revenue table above
- [6]
- [2]
- Net position resulting from HIF legacy administration costs (\$1.7 million) less operating surplus being generated from the remaining legacy products (\$1.0 million).
- Ministers can decide that these programmes continue to be delivered by HNZN and funded by internal resources, i.e. retain the status quo. This would not require the HOEP to be re-prioritised.
- This function transfers to the DBH from HNZN
- The transactional model for HIF delivery is estimated to cost \$0.55m, the Minister of Housing (Nov 2010) agreed that \$0.950 was the appropriate level of service to deliver HIF for niche providers.
- [2]

## **Section 2: Vote Priorities and Pressures**

### **Shifting emphasis from home ownership assistance to addressing rental affordability**

As a result of static/declining house prices, low buyer demand and rising incomes, home ownership affordability has improved over the past two years. With this trend expected to continue, the Government considers that large scale home ownership assistance is not the highest priority in the medium term. To continue supporting this improvement, a significant agenda is being implemented to remove some of the barriers to the broader supply of affordable housing. This agenda will deliver the following medium-term priorities for the sector:

- drive down the regulatory costs associated with building without compromising building quality;
- remove unnecessary regulation that adds cost and delivers little benefit;
- support and encourage improved productivity across the building and construction sector;
- improve the way liability works in relation to building work;
- ensure ongoing confidence and investment in the housing sector, as this is critical in terms of economic activity, jobs and skill retention; and,
- get better results from the Government's investment in resolving weathertightness issues.

Maintaining the supply of housing at a reasonable level to ensure New Zealanders' housing needs are met is critical so that major supply issues do not start to emerge in the short to medium term negatively affecting affordability. Home ownership assistance should seek to strengthen and increase the overall housing supply rather than provide subsidies to individual households to help them afford existing homes.

Rental market pressures (tightening supply in some locations and the risk of reduced levels of new investment) suggest that addressing rental affordability should be a higher priority for scarce Government resources. The Government sees meeting this as its greatest affordability challenge, in particular at the lower-income end of the rental market, with the most direct pressure being on social housing. To address this challenge, the main priorities for Vote Housing over the next four years are:

- Social Housing Partnership Programme - grow the third sector to facilitate more effective provision of social housing;
- Tamaki Transformation Programme – design and develop a regeneration entity to deliver integrated outcomes for the community;

[2]

- Crown programmes delivered by Housing New Zealand Corporation (HNZC) - provide Ministers with purchasing options on service delivery/levels and transition these programmes to be fully funded through appropriation to improve transparency.

### **Social Housing Partnership Programme - Growing the third sector: a new direction for social housing**

The Government recognises that the current model for social housing is failing to meet the needs of a growing number of households and, at the same time, is increasingly unaffordable for the Government. In response to the Housing Shareholders Advisory Group's (HSAG) advice, joint Ministers propose a new direction for the social housing sector to transform future delivery and commence a process of change over the next four years.

Through this change we intend to achieve four main imperatives:

- Greater involvement of third party providers of social housing: promoting choice, contestability, innovation and access to a wider pool of capital to significantly increase social housing provision in the next 5 to 10 years;



- Increase the effectiveness of financial assistance<sup>[2]</sup>
- Focus HNZC on providing social housing to high need tenants and empower it to do so; and,
- Align the organisation and responsibilities of government agencies to support this change.

### **Tamaki Transformation Programme**

Despite high levels of Government expenditure, Tamaki performs poorly relative to other communities with high levels of deprivation, low educational attainment levels, low labour force participation, low incomes, high unemployment and high dependency on social security benefits.

Tamaki requires a catalyst to address these issues and transform its existing urban environment over the next 15 to 20 years to unlock its potential and encourage greater investment in the area. It is proposed that an urban regeneration entity is developed to bring together public and private sector investment, the appropriate authority and mandate to elicit change and engage with local authorities' and communities over the next two years to deliver positive social and economic solutions for Tamaki.

[2]

### **Crown housing programmes delivered by Housing New Zealand Corporation**

At present, there are appropriated Crown programmes, delivered by HNZC, that are part funded from HNZC's internal resources to maintain current service delivery levels. Joint Ministers have agreed that all Crown programmes are to transition to be fully funded through appropriation. This will provide:

- Ministers with options to establish the services and delivery levels they wish to purchase from providers, including HNZC, in the medium to long term, for each programme and fund them accordingly; and,
- greater transparency on the true costs and the effectiveness of the Crown's existing housing initiatives.

### **Section 3: Proposed Changes for Budget 2011 (Reprioritisation) – Scenario 1**

#### ***Social Housing Partnership Programme - Growing the third sector: a new direction for social housing***

The Government sees an increasing role for the third sector (private and not-for-profit organisations) in developing and supplying social housing in addition to the state. Third sector organisations are cost effective providers, however, they tend to be undercapitalised. Addressing this funding issue means the sector will be more able to meet the government's expectations and help create a regulated "market" for both the provision and management of social housing. This funding is critical in terms of capitalising new providers to grow as a proportion of their new rental stock will need to be owned (so will sit on providers' balance sheets) to facilitate greater leveraging of private sector resources and increase housing supply.

It is proposed to simplify existing appropriation structures (including the Housing Innovation Fund, incorporating Maori Demonstration Partnerships, and the Rural Housing Programme) and recombine them into a single, multi-year appropriation focusing on developing:

- Providers that can achieve scale;
- Niche providers that offer exceptional value for money; and
- Maori demonstration partnerships.

[2]

### ***Tamaki Transformation Programme***

To address the social issues that exist in Tamaki, the government is moving towards a place based approach facilitated through an urban regeneration entity. This approach allows solutions to be matched to local conditions with input from local stakeholders on the use of resources, testing models for delivery of social services and providing opportunities for a different mix of private and not for profit provision.

Cabinet agreed that the existing Tamaki Transformation Programme (TTP) Establishment Board be replaced in December 2010 with new governance arrangements to oversee the development of a new entity and delivery mechanism [SOC Min (10) 26/5 refers]. The new governance will be provided by an Interim Tamaki Transformation Programme Board.

This decision will result in \$1.600 million in operating savings becoming available from HNZN's internal Tamaki Transformation Programme budget that will be returned to the Crown as surplus in 2010/11. Operating funding of \$1.600 million (in total) is required over the next two years to establish the new Interim Board and design and develop an appropriate delivery entity and mechanism.

**It is proposed that \$1.600 million of new operating funding is appropriated to Vote Housing for this purpose, split between 2010/11 (\$1.000 million) and 2011/12 (\$0.600 million).**

[6]

### ***Crown programmes delivered by Housing New Zealand Corporation***

The following funding re-prioritisations, within Vote Housing, recognise that HNZN contributes funding from its internal revenue sources towards the cost of providing Crown programmes. Fully funding these programmes by appropriation will increase transparency on the costs of programme delivery and have the effect of increasing the surplus of HNZN's core business operations. This decision will result in commensurate operating savings becoming available from HNZN's internal resources that will be returned to the Crown as ongoing surpluses.

#### *Legacy Loan products*

HNZN administers \$26 million in term loans and \$28.5 million in suspensory loans approved through the Housing Innovation Fund (HIF) in previous years. The ongoing operating costs to manage these loans relate to loan impairment charges, interest costs (the HNZN pays interest to the Crown for the debt that was drawn to fund these facilities) and administration costs total \$1.700 million per year. HNZN also administers housing related lending products and initiatives, such as Shared Equity, that currently have an operating surplus of \$1.000 million per year that will be used to offset these costs.

**It is proposed that \$0.700m operating funding per year from 2010/11 onwards is reprioritised from the Mortgage Insurance Scheme to fund the remaining**

## **administration costs being incurred by HNZC for the Government's Legacy Loan Products.**

### *Wellington City Council Housing Assistance Grants expenditure monitoring*

The Wellington City Council is receiving a \$220 million grant to upgrade its social housing portfolio over the ten years from 2008/09. This ensures the Council retains the portfolio for thirty years and completes the upgrade programme in years ten to twenty from its own resources. While HNZC currently monitors the programme's delivery, Ministers have agreed that the Department is better placed to provide this function as monitoring this programme is not considered core business for the Corporation.

**It is proposed that operating funding of \$0.150 million for 2010/11 (to HNZC) and \$0.150 million per year from 2011/12 (to the Department), through until the grant finishing in 2018/19, is reprioritised from the Mortgage Insurance Scheme to continue monitoring WCC Housing Assistance Grant expenditure.**

### *Kiwibank Interest Subsidy*

HNZC entered into an agreement with Kiwibank to fund an interest subsidy for ten years in 2008/09, in relation to a loan Kiwibank made on behalf of the Auckland Community Housing Trust to provide social housing. Funding was appropriated for this purpose but was returned to the Crown in Budget 2009 when the HIF was changed. This subsidy is contractually bound and is currently funded by the Corporation.

**It is proposed that \$0.400m per year of operating funding is reprioritised from the Mortgage Insurance Scheme to fund the third party Kiwibank Interest Subsidy until 2018/19.**

### *Housing Innovation Fund programme delivery and administration in 2010/11*

The Minister of Housing has reviewed the current service delivery levels involved in administering and delivering the HIF programme in 2010/11. This funding increase ensures that expected service delivery levels are maintained to provide organisations with sufficient support to deliver the Government's objective of increasing third sector capability and housing delivery.

**It is proposed that \$0.400m of operating funding is reprioritised from the Mortgage Insurance Scheme to fund HIF administration for 2010/11 only.**

### *Community Group Housing*

The Community Group Housing (CGH) portfolio ensures that community providers can access suitable group housing to provide specialist care and support services to their clients. HNZC either builds or modifies large homes to lease to community groups that support people with physical, intellectual or mental disabilities, youth, or people unable to live in their own homes due to violence or abuse. Providers occupying CGH properties are charged a market rent on entering a new tenancy, but the rents are not then market adjusted once the providers have taken the tenancy. All CGH properties were last adjusted to a market rent in 2002.

The main issues with the current delivery model are:

- with CGH rents being held at below market rates, the difference between the rents charged by HNZC and the market rent is increasing over time impacting the financial performance of the Corporation;
- the Crown does not have transparency across government funding agencies about what other agencies pay to individual CGH providers. This makes it difficult for

agencies to ensure that funding for CGH across government agencies is aligned and appropriate;

- the CGH portfolio may not respond to changes in the priorities of service funding agencies;
- funding is not equitable across CGH providers, with some CGH providers having an advantage over new providers who pay market rents and over providers who rent from the private sector or own their own property.

**It is proposed that \$7.600m operating funding per year ongoing from 2010/11 is reprioritised within the Vote Housing baseline to fund HNZN's rental shortfall as a first stage in addressing the pricing problem that currently exists across Votes in this area.**

### **Baseline savings available for re-prioritisation**

#### *Mortgage Insurance Scheme (Welcome Home Loans)*

Welcome Home Loans is a mortgage insurance scheme, designed to help people who can afford a home loan but have trouble raising a deposit. HNZN receives premiums from borrowers (via lenders) and the Government to underwrite lenders' risk and managing the insurance portfolio. Reduced activity in the residential property market, particularly for first home buyers, has lowered demand for this product and this is forecast to remain low in the medium term.

At the October Baseline Update, \$3.612 million was approved for transfer from 2009/10 to 2010/11 with this funding identified as being available for reprioritisation in Budget 2011. Current demand projections for 2010/11 have identified an additional \$0.430 million in savings is also available. Cabinet agreed to re-prioritise \$1.000 million for the policy work needed to formulate the new direction for social housing [SOC Min (10) 128 refers].

**\$3.042 million in operating funding is available for Ministers to re-prioritise within Vote Housing.**

[2]

#### *Home Ownership Education Programme*

The Home Ownership Education Programme educates people seeking to enter into home ownership and is delivered through third parties. HNZN markets the programme and provides training material and funding to service providers. Reduced activity in the residential property market, particularly for first home buyers, has lowered demand for this product. Demand is expected to remain low in the medium term and that this service is no longer required beyond the expiry of the current contractual obligations to the service provider.

HNZN re-negotiated the provision of this programme with the provider from 1 July 2010. These contractual obligations are bound for two years until the end of the 2012/13 financial year.

**It is proposed that all Home Ownership Education funding (\$2.400 million operating funding per year ongoing) is re-prioritised from 2012/13 onwards (when current contractual arrangements expire) to support the Social Housing Partnership Programme.**

#### *Energy Efficient Warm Homes*

The Energy Efficient Retrofits capital appropriation reduces from \$6.5m in 2010/11 and 2011/12 to \$1.5m ongoing in out years. HNZN considers upgrading its portfolio to meet tenants' needs and ensure that the portfolio meets current building requirements and regulations as its core business. By absorbing these programmes into the general upgrade programme from 2011/12, HNZN can take a more co-ordinated approach to this work providing better value for money. This establishes clear responsibility for funding improvements to its existing housing portfolio with HNZN.

**Capital funding of \$3.000 million in 2011/12 and \$1.500 million in out years becomes available for Ministers to re-prioritise within Vote Housing.**

## **Section 4: Summary of Financial Movements**

This section details the changes to appropriations (including new appropriations) which are required to implement all of the proposed changes in section 3.

**Departments should generate this report from CFISnet.**